

**EASTPORT CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
WEDNESDAY, JULY 31ST, 2013**

6:00 P.M. - SHEAD HIGH SCHOOL - BAND ROOM

**(PUBLIC HEARING)
LOAN GUARANTY - DOWNEAST EMS**

I. CALL TO ORDER

Council President, Mary Repole, called the meeting to order at 6:00 p.m.

Those present were: Councilor Mike Cummings, Councilor Colleen Dana-Cummings, Councilor Scott Emery, Councilor Gilbert Murphy, and Council President, Mary Repole. Also present were: City Manager, Larry Post; and City Clerk, Ella Kowal.

Audience Attendance was as follows: Steven A. Welsgh, Samantha Young, Russell Terry, Jon McNerney, Ashli Ramsdell, Tobi McPhail, Elaine Abbott, Kerry Jackson, Lora Whelan, and Albert Hunter.

Council President emphasizes the importance of staying on topic keeping on track for this evening's meeting and that it is specific to address the potential for financing as well as the services that the entity provides the community.

Councilor Murphy addresses *the Council and the public* and informs them that he will be removing himself from the table as a Councilor for this evening's meeting and will be setting in the audience as he will not be a voting member of the panel because he is currently employed with Downeast EMS on an *on-call basis* and does not want there to be any perception of a conflict of interest.

II. PUBLIC HEARING

- *Loan Guaranty for Downeast EMS*

Council President declares the Public Hearing open at 6:02 p.m.

She then turns this portion of the meeting over to the ***new director of Downeast EMS, Steven Welsgh*** and he introduces himself as a provider for the Emergency Medical Services for Eastport, Lubec, and other towns in Washington County. He comes before us this evening with a proposal to refinance the company's loans and debt. The reasoning for this is to acquire a loan with a much lower interest rate which should prove to be doable with their tax exempt status and to also assist them in the preparation of acquiring new ambulances. He further comments to say that the County is a big one and that they do a lot of mileage and need to be looking at this now. He informs the Council that he has been working with The First bank in Calais for seven weeks on this and notes that they were the guarantor of the previous loan which he believed to be around \$600,000 in 2009 when it first started out and changed from having Calais involved. They needed a loan to start the company up and to assist in helping get going in Washington County and notes that this loan still remains today but comments that it has gone from \$600,000 down to \$229,000

without a missed or lapsed loan payment. He continues further to say that there is another small loan involved for the purchase of a trailer at one of the bases which also occurred in 2009 in the range of \$14,000 and the balance is slightly less than that now. It is also their intent to absorb the credit line which is part of the original loan of 2009. They are basically looking at \$536,000 to complete the refinancing. This would allow them to consolidate all three loans in addition to the purchase of new ambulances. He understands that some may have financial data available to them but opens the floor to any questions that anyone may have. He feels that this is a positive direction and acknowledges that the service has been serving Eastport for a long time now as well as Washington County. He also notes that they are a big company and are spread out and comments to say that people are not right next door to Washington County and expresses the need for a service that is able to get to all of the towns, the UT's, townships, plantations, etc. The continues further to say that the original loan was signed off on by the UT's in 2009 which included Eastport and Lubec. Hence, The First is asking to do the same now with this new loan.

Council President, Mary Repole, begins with opening the floor for questions and/or comments from the Council. ***Councilor Cummings*** responds to say that what was done in the past he does not believe that technically the City should have been doing as co-signing for a loan. He further notes to say that he has spoken with legal counsel and believes that the City is in the same situation now and feels strongly that the City does not have the right to do this and he understands it to only take place through a legislative act of the State. ***Mr. Welsgh*** responds to Councilor Cummings in that it has been done before in quite a few areas and businesses and they plan on working with James Saffion who is a bond counsel out of Portland who specializes in this type of business and informs him that this occurs on a regular basis. He continues further to say that The First requested that they work him as they have the utmost confidence in him to proceed forward. ***Councilor Cummings*** responds to say that he feels it needs to be researched further as this is not what he was told. The ***Council President*** addresses the City

Manager, Larry Post, to see if he has anything further to add in this regard. The **City Manager** responds to say that the Charter does limit the Council to what it can borrow money for and notes that the Council *can* borrow money for the purchase of services. **Councilor Cummings** continues to say that he believes these are issues worth speaking of that involve Lubec and Unorganized Territories and that the taxpayers should be aware of. **Council President** asks specifically what the City's liability would be. Gilbert Murphy from the audience responds that right now it is around \$150,000 and should the Council decide to go this route, it would be \$178,000. **Councilor Dana-Cummings** asks for clarification of how they derive to the \$178,000. The City Manager responds that it is the \$536,000 divisible by three amongst Eastport, Lubec, and the Unorganized Territories. Gilbert Murphy from the audience comments to say that this will only take place if *all three towns* agree to do it. **Council President** asks for confirmation that only two entities that are liable and that this is the reason for our amount being on the high end. Mr. Murphy responds to say that the Unorganized Territories is only liable for the credit line which is reflective of an amount of \$33,000 and is the same share for Eastport and Lubec. **Councilor Cummings** responds to say that it was previously discussed and the City is presently on the line for \$200,000 and if they agree to this then they would be on the line for up to \$536,000. **Mr. Welsgh** responds to say that this is incorrect because it requires that *all three entities* (Eastport, Lubec, and Unorganized Territories) sign off and agree to it and that it would be divided amongst the three for an amount of \$178,000. **Councilor Dana-Cummings** asks whether or not the other towns had met yet on this. Mr. Welsgh and Councilor Murphy both respond that Lubec board has met but they will need to hold a town meeting which will take place in *August* and the other towns meet in *September*. **Councilor Dana-Cummings** requests the figures again. Mr. Welsgh reiterates that there is \$229,000 for the business loan; a little less than \$14,000 for the trailer; and \$100,000 for the credit line of which \$33,000 would be Eastport's share. She then asks a question with regard to the location of the trailer as she does not see it on the monthly site evaluation. Mr. Welsgh responds that this is for the base of Baileyville. He further comments to say that one of the misconceptions is that Baileyville is a base. He explains that it serves Baileyville but it also serves another 10-12 towns. He clarifies that when you see run data for Baileyville, the town itself is only a small portion of that; but it is part of the Woodland base. Gilbert Murphy from the audience addresses Councilor Dana-Cummings and gives an example that for the month of June there was a total of 79 runs out of the Woodland base; and from that figure, 13 of them were from Baileyville. The remainders were transfers from Alexandar, Princeton, Baring, Charlotte, and Meddybemps. **Councilor Cummings** responds that those could be done out of Eastport or Lubec if they wanted to. He further comments to say that they did not address the trailer and says that the trailer payment of \$423.00 per month is coming out of Downeast ambulance and this is his complaint. **Council President** reminds **Councilor Cummings** that we need to stay on track with the matter at hand and Councilor Cummings emphasizes strongly that this is part of making this decision and then refers to a stipend from Woodland and she reminds him this is not about stipends. Councilor Cummings says that we should be taking into consideration for our taxpayers what is

coming from the town of Baileyville. **Councilor Dana-Cummings** asks if she is to understand that the trailer payment is divided amongst the towns. Mr. Welsgh responds to say “no” and that further explains that it is a system loan and the main loan of \$229,000 is for the entire company and the trailer itself was purchased to go along with that loan either earlier or later knowing that they were going to get the system loan and that it was to support the base of Woodland not the Town of Baileyville, but the whole base. Gilbert Murphy from the audience explains that when Calais pulled out, they didn’t have anywhere else to go and couldn’t afford a place in Calais and moved the base to Baileyville. He further comments to say that the garage and the office where the trucks are in Baileyville is an expense to them of a \$1.00 per year but that the building was not fit for the crew for living quarters and this was the reason for the purchase of the trailer. **Councilor Cummings** reaffirms he point earlier that the trailer payment, the fuel, lights, etc. comes out of Downeast ambulance for that building and that the stipends are not an accurate reflection of this and feels strongly that this is pertinent information. **Council President** comments to say that this is not what is on the table right now for discussion. **Councilor Dana-Cummings** asks if there is a different between Washington County Emergency Medical Services and Downeast EMS. Mr. Welsgh responds to explain the Washington County was the official name for the legislature and that it got so long that it was changed to Downeast EMS. Gilbert Murphy from the audience comments to say that WCEMS is doing business Downeast EMS. **Council President** asks for clarification that this will be split three ways. The **City Manager** responds to say that this is part of the agreement and that the other two towns must be in agreement and that the bank requires that the contents of the agreement be specific to that in the wording which will reflect the towns liability. The **Council President** asks what the interest rate would be, and Mr. Welsgh responds that they need to get through the tax exempt status but that they goal is to get the best possible one and that they looking at 2.5% and it is their hope to turn this back into value for the towns at some point. He re-emphasizes that the loan itself will go from a monthly payment of \$7,350 down to \$5,050. He also notes that over a 3-1/2 to 4 year span, they have brought the loan down from \$600,000 to \$229,000 and feels that The First recognizes our efforts in doing this and keeping current on the payments. **Councilor President** asks what the duration of the loan and Mr. Welsgh believes it would be a 10-year loan. **Councilor Cummings** reminds everyone that Baileyville was suppose to become a base station because of what they had for equipment and sit in lieu of paying the extra money and that this would keep their stipend down. After a couple of years, that washed away and he feels that they should have come up on their portion of stipend to where we are at which would reflect around \$105,000. **Council President** asks about the accuracy of the financial reports provided. Mr. Welsgh responds to say that they are a monthly analysis over a period of a year for each base. He further comments to say that these amounts are what remains after the stipends and monthly expenditures. The Councilor President continues by acknowledging that Lubec’s monthly contribution is \$1,964; Eastport’s is \$3,715; and Baileyville’s is at \$20,000. Mr. Welsgh explains that the reason for this is that transfers come out of the base in Baileyville where the paramedics get involved and they are established from that base as well as the Machias

one (and they note that the Machias contribution is at \$16,600). Mr. Welsgh comments to say that they are working on projecting out with their financial plans such as 3-5 years but, more importantly, want to be sure it is financially feasible. Gilbert Murphy from the audience reminds Council that he did report to them a few months back that since Mr. Welsgh has been with Downeast EMS that the cashflow has improved and that the billing is double checked before it is released and adds that it has resulted in the Medicare payments coming in more steadily. **Jon McNerney** from the audience directs a question to Mr. Welsgh as to what their plans they have for the cash savings they will have from the reduction in their monthly payment. Mr. Welsgh responds they will be utilizing it so that they will not have any assumed debt and not have it climb. **Elaine Abbott** from the audience directs a question to Mr. Welsgh with regard to the line of credit for \$100,000 and asks what their plans are to do with the line of credit once the bills are consolidated. He responds to be hopeful in that they will use it sparingly. She asks that if it is utilized that it could potentially increase this debt on to the towns. He responds to say that it could if they are not able to control the debt but the reason for the refinancing is to put Downeast EMS in a position that they are able to control it. **Jon McNerney** asks what would take place if this isn't done. Mr. Welsgh responds to say that the company would have to evolve into something different and possibly something that would not provide a service level that we receive now. He notes that they are able to have paramedics slide from one base to another without having the expense of keeping a paramedic at each base and also comments to say that they could also utilize this source with the trucks as well, overall; it provides coverage in different forms. Should this not go through, then he feels strongly that it would jeopardize coverage and they do not want this at risk. He continues further to say that they experience reimbursements decline on a yearly basis anywhere from 1-3% and that the cost of fuel increases and they must be considered as well. Their goal is to provide a service as cheap as they can and continually provide the service should something drop. **Samantha Small** from the audience compounds on what Mr. Welsgh is saying by commenting to say that the business is difficult as Eastport may average one call a day and possibly 300+ runs per year. She continues to say that although Eastport may have a slow period, Lubec may have a quick period and the towns make up the difference for each other and that this helps the company as a whole. She also expounds to say that Downeast EMS is not a private but rather a quasis-municipal entity. **Russ Terry** from the audience addresses with a question that if money is going into new equipment then would there be a reduction in the maintenance or upkeep of the older equipment and if there is a savings, where will that savings be directed. Mr. Welsgh responds to say that the fleet they have now is five trucks with a six liter motor and they are looking to replace those with newer ones as they were not the most reliable. He further comments that the reduction in maintenance costs would go back to the bottom line to ensure that the credit line is not used or to keep the bills down. In the long and short of it, it will help Downeast EMS move forward without incurring any debt. **Councilor Cummings** comments to say it goes back to Woodland being better set up than Eastport. He

continues further to say that should Eastport call for a medic, we do not have them here and have to wait on Woodland when the taxpayers of Eastport pay a stipend of \$101,000 and shouldn't have to wait. **Samantha Small** and **Gilbert Murphy** from the audience respond and clarify that they are on their way to meet them and that the paramedics are hardly ever in Woodland as they are back and forth between other towns doing transfers and feels that Councilor Cummings has a misconceived perception of what Baileyville has. Mrs. Small continues further to say that Baileyville is usually left with a basic crew. Councilor Cummings responds to say that the City is not in the ambulance business but that the Council represent the taxpayers not the ambulance. **Jon McNerney** from the audience addresses Councilor Cummings and asks if he offers up a solution that would work for Eastport. He responds to say that continuing to borrow money is not the answer. **Elaine Abbott** from the audience makes references to the Council President's question with regard to a 3-5 financial plan and suggests to the Council that they request from Downeast EMS a business plan. Mr. Welsgh responded that it would have to be a revolving business plan with the way the business is changing and that they are working on that. He continues to say that medical plans 5-years out are not accurate. With his experience, he has found that plans any more than 2-3 years are not accurate as the government change the rules. **Councilor Cummings** responds to Mr. McNerney's comments and expresses that he feels strongly that we should pursuing more than one option. **Alberta Hunter** from the audience addresses the Council and makes known of a personal experience with a friend of hers last winter that required the ambulance service and comments to say that it was very efficient in the way that it worked and was very reassuring in such a critical time of need. Mr. Welsgh further comments to respond and expounds that this will allow the service of the people that we have on the ambulance to continue forward for the next five to ten years. This is why they are doing this and he feels he would be irresponsible if they did not look at lower interest loans now. Their goal is to make every effort to run the company better and pay a less interest rate and keep the services there for everybody. **Council President** speaks that the Council would like to see something go forward on the line of credit that will take care of that. Whether it be higher stipends and that something needs to be done to even that out to keep us from going into further debt again. **Councilor Dana-Cummings** informs Council that she has asked for something along the lines of a business plan but has yet to receive anything. **Councilor Cummings** expresses that he feels Calais should be approached to see what they have to offer us and that we should be looking at options. **Councilor Dana-Cummings** asks if the City does decide to agree to do this; could the line of credit be closed? **Mr. Welsgh** responds to say that this would not be an option and that they this is something that they would have to have and that it is built into the program but comments to say that it has to be managed now and he is tasked to make sure this happens. **Councilor Dana-Cummings** addresses Mr. Welsgh and asks him what the turn-over rate is for people in a position such as his. He believes it to be one every year and a half. Discussion took place that the ambulance is a service but it requires that it be run as a business in order for it to stay solvent. The Council acknowledges the difficult task that he is undertaking and appreciate his efforts to move in a positive direction.

Council President makes a final call for comments and/or questions. **Councilor Cummings** comments to say that these are tough times and things are tight but he also thinks that the City should address different avenues and see what is the best deal for the best money for Eastport and feels there is more than one option. **Councilor Dana-Cummings** asks if the City has the option to pull out. The Council President and the City Manager responds that the City cannot afford to do that. Councilor Cummings responds that they are making statements when it has not been checked into. Council President informs Councilor Cummings that it has been previously discussed and that former Councilor Earl Small had provided data which was hundreds of thousands of dollars. She further comments to say that the City still has this debt and that it is not going anywhere. The **City Manager** provides the Council with a written synopsis of proposed wording as they move forward with a decision should they give it consideration.

Council President declares the public hearing closed at 6:37 P.M.

III. **"ACTION" on PUBLIC HEARING**

Councilor Emery brought forth the motion and Councilor Dana-Cummings followed with a second.

Council President then called for discussion from Council.

Councilor Cummings brings forth and makes reference to the City Charter that it requires that it has to be a four and five vote. Council President responds to Councilor Cummings to say that is for the borrowing of money for the City.

Councilor Dana-Cummings expresses that it is a service that everyone needs and does not want to see us go into more debt for but also recognizes that we have an aging population and feels that assurance would be there for the community knowing that there is an ambulance in town.

MOTION EMERY SECOND DANA-CUMMINGS
To provide a guarantee, as required by the bank *in conjunction with* Lubec and the Unorganized Territories, for Downeast EMS of its proposed loan of up to \$540,000, of which Eastport would be responsible for the guarantee of one-third the amount (up to \$180,000); said guarantee to be effective only with equal participation with the other entities and with the understanding that this is *pending* approval of legal counsel.

PASSED 3-1 ("NO" CUMMINGS)

IV. **ADJOURNMENT**

MOTION CUMMINGS SECOND EMERY
To adjourn.

PASSED 4-0 (TIME: 7:43 P.M.)